

**AMENDMENT TO H.R. 3763, AS REPORTED
OFFERED BY MR. SHERMAN OF CALIFORNIA**

In section 21 strike “and 15” and insert “and 16”
and after section 13, insert the following new section
(and redesignate the succeeding sections and conform the
table of contents accordingly):

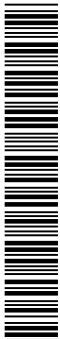
1 SEC. 14. AUDITOR MINIMUM CAPITAL.

2 (a) REGULATION REQUIRED.—The Commission shall
3 revise its regulations pertaining to auditor independence
4 to require that an accountant shall not be considered inde-
5 pendent unless such accountant complies with such capital
6 adequacy standards as the Commission shall prescribe by
7 regulation.

8 (b) MINIMUM STANDARD.—The capital adequacy
9 standards established by the Commission pursuant to this
10 section shall require that the net capital of an accountant
11 be equal to not less than one-half of the annual audit rev-
12 enue received by such accountant from issuers registered
13 with the Commission.

14 (c) TREATMENT OF CAPITAL AND REVENUE.—For
15 purposes of this section—

16 (1) net capital shall include the sum of capital,
17 reserves, and malpractice insurance available to the



1 accountant for the performance of audit functions;
2 and

3 (2) annual audit revenue shall include the sum
4 of all audit fees received by the accountant, but shall
5 not include any fees for non-audit services, as such
6 terms are defined in regulations of the Commission
7 in effect on the date of enactment of this Act.

